



FY 2014 - FY 2015





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TO THE CONGRESS OF THE UNITED STATES

The U.S. Department of Housing and Urban Development (HUD) is pleased to present the Fiscal Year 2014/2015 Annual Report on the State of Fair Housing in America. This report has been prepared in accordance with sections 808(e)(2) and (6) of the Fair Housing Act and section 561(j) of the Housing and Community Development Act of 1987.

HUD is committed to creating opportunities for every resident of this nation by enforcing federal fair housing laws that ensure equal access to housing regardless of a person's race, color, national origin, religion, sex, familial status or disability. In addition, HUD ensures that HUD-assisted housing is made available, regardless of sexual orientation and gender identity under HUD's Equal Access Rule and provides additional protections for victims of domestic violence under the Violence Against Women Act (VAWA).

Going forward, HUD will continue to live up to the public's trust, operate its programs in a nondiscriminatory manner, and work toward creating sustainable, inclusive communities of opportunity for all.

Sincerely,

Julián Castro
Secretary of Housing and Urban Development



Fiscal years 2014 and 2015 were busy and productive years for HUD's Office of Fair Housing and Equal Opportunity (FHEO), as we remained vigilant in our enforcement of the nation's fair housing laws and efforts to foster inclusive communities of opportunity.

Our efforts to enforce fair housing laws resulted in investigations and successful settlements of cases, providing significant relief for victims of discrimination as well as other relief in the public interest. Cases included those that alleged "redlining" by lenders.

We also conducted an array of fair housing enforcement and education and outreach activities that promoted housing choice; worked to eliminate barriers to equal opportunity in housing; and developed and disseminated important policy guidance and rules. Among our most significant accomplishments was issuing the final Affirmatively Furthering Fair Housing (AFFH) rule, which provides HUD program participants with a framework for identifying the fair housing challenges impacting their communities and eliminating obstacles to housing choice.

Sincerely,

A handwritten signature in black ink, appearing to read "Gustavo Velasquez".

Gustavo Velasquez,
Assistant Secretary
Office of Fair Housing and Equal Opportunity

FY 2014 & 2015 FAIR HOUSING HIGHLIGHTS



November 2013: HUD awards National Media Campaign grant



June 2014: U.S. Senate confirms Assistant Secretary nominee Velasquez



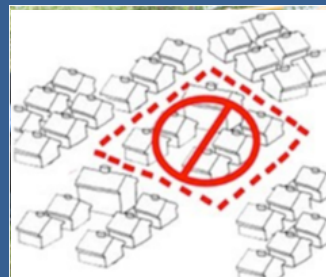
October 2014: HUD reaches \$5 million maternity discrimination settlement with Wells Fargo



March 2015: Secretary Castro announces expansion of Section 3 Business Registry



April 2015: Acting Assistant Attorney General Vanita Gupta kicks off Fair Housing Month 2015



May 2015: HUD reaches historic "redlining" settlement with Associated Bank, totaling \$200 million



June 2015: U. S. Supreme Court affirms that disparate impact claims may be brought under the Fair Housing Act



July 2015: Secretary Castro signs Affirmatively Furthering Fair Housing Final Rule



September 2015: FHEO hosts National Fair Housing Training & Policy Conference

ABOUT FHEO

OUR MISSION

The mission of the Office of Fair Housing and Equal Opportunity (FHEO) is to eliminate housing discrimination, promote economic opportunity, and achieve diverse, inclusive communities by leading the nation in the enforcement, administration, development, and public understanding of federal fair housing policies and laws.

FHEO enforces laws that protect people from discrimination on the basis of race, color, religion, sex, national origin, disability, and familial status. In addition, FHEO ensures fair housing compliance by housing providers that receive HUD funding.



WHAT WE DO

Conduct compliance reviews
Investigate complaints

Ensure civil rights in HUD programs
Manage fair housing grants



**Led by Assistant Secretary
Gustavo Velasquez**



10 regional offices



**\$ 65.3M FHEO Budget
for FY 2015**
**\$ 66M FHEO Budget for
FY 2014**



**487 full-time employees in
FY 2015**
**513 full-time employees in
FY 2014**



48 field offices

FHEO EVENTS

FAIR HOUSING MONTH

The theme for Fair Housing Month 2014 and 2015 was “Fair Housing Is Your Right: Use It!” In commemoration of Fair Housing Month, HUD held an Opening Ceremony in HUD Headquarters, while Regional and Field Offices held events and trainings throughout the country.



Members of FHEO's Philadelphia Office at a Fair Housing Month 2014 kick-off event.

NATIONAL TRAINING AND POLICY CONFERENCE

The 2015 Fair Housing Training and Policy Conference, “A Call to Advance Housing Rights and Opportunities,” was held September 1-3, 2015, in HUD Headquarters. The conference brought together more than 300 fair housing leaders, civil rights advocates, and state and local government officials for robust discussions about today's fair housing challenges and cutting-edge strategies to further fair housing throughout the nation.



United States Attorney General Loretta Lynch spoke at the National Training & Policy Conference at HUD Headquarters.

Case Spotlight #1: Housing Agency Held Accountable for Sexual Harassment

In July 2015, Southeastern Community and Family Services, Inc., in Scotland, North Carolina, and two of its former employees agreed to pay \$2.7 million in monetary damages and civil penalties for sexually harassing female Housing Choice Voucher program participants. Legal Aid of North Carolina, Inc.'s, Fair Housing Project had brought the matter to the Department of Justice (DOJ), prompting DOJ to file a lawsuit in December 2014. HUD also filed a Secretary-initiated complaint against the housing agency, conducted a systemic investigation, and referred the case as a potential pattern or practice case to DOJ in March 2014.

GUIDANCE

AFFIRMATIVELY FURTHERING FAIR HOUSING FINAL RULE

The issuance of the Affirmatively Furthering Fair Housing (AFFH) Final Rule on July 16, 2015, made FY 2015 a landmark year. AFFH is the inclusive communities piece of the Fair Housing Act that empowers HUD program participants to take proactive steps to promote equal access to housing for every person. The AFFH Final Rule encourages a regional, collaborative approach to addressing fair housing issues, requires community participation, and provides local jurisdictions with the maps, data and tools they need to make informed planning and spending decisions. It provides a rigorous planning mechanism for HUD's grantees, including states, counties, cities, and public housing agencies to further integration and access to opportunity for all people.

“IN THIS COUNTRY, OF ALL COUNTRIES, A PERSON’S ZIP CODE SHOULDN’T DECIDE THEIR DESTINY.”

– PRESIDENT
BARACK OBAMA



Secretary Castro signed the final rule in the company of AFFH Project Management Office (PMO) members and FHEO staff.



AFFH is a team effort. The AFFH PMO, a cross-office group led by FHEO, manages the AFFH implementation effort. Representatives from various HUD offices meet weekly to keep the initiative on track and ensure that all affected parties are informed.



ASSESSMENT OF FAIR HOUSING TOOLS

- Community participation
- Data and Mapping tool
- HUD provided demographic data



ANALYSIS

- Patterns of segregation and integration
- Racially and ethnically concentrated areas of poverty
- Disparities in access to opportunity
- Disproportionate housing needs



ASSESSMENT OF FAIR HOUSING



Case Spotlight #2: Supreme Court Affirms Disparate Impact Claims under the Fair Housing Act

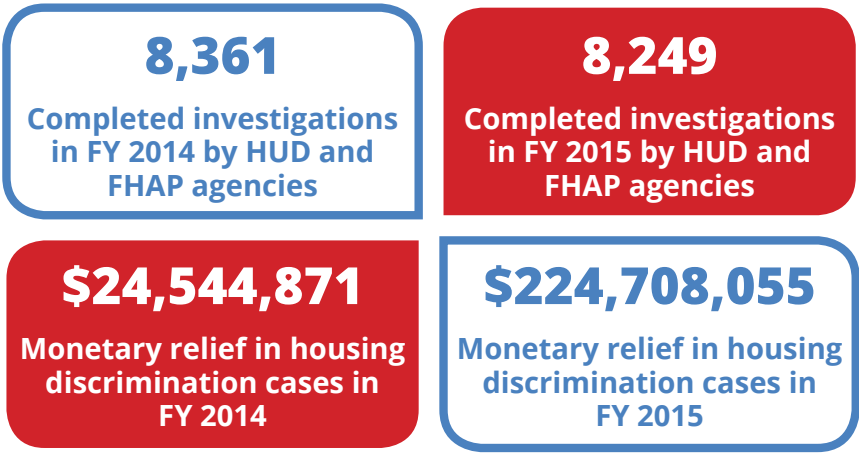
On June 25 2015, the Supreme Court upheld the discriminatory effects method of proving violations of the Fair Housing Act. In *Texas Department of Housing and Community Affairs v. The Inclusive Communities Project, Inc.*, the Supreme Court held that disparate impact claims are cognizable under the Fair Housing Act.

Case Spotlight #3: Pennsylvania Town Repeals Nuisance Ordinance

In September 2014, HUD reached a conciliation agreement in a case involving a Norristown, Pennsylvania, ordinance that required landlords to evict tenants who call 911 more than three times. HUD alleged that the ordinance violated the Fair Housing Act because it had a discriminatory effect on women who are survivors of domestic violence. The American Civil Liberties Union (ACLU) sued the city on behalf of a single mother who had been severely injured as a result of domestic violence; the city agreed to pay the complainant \$495,000. Under HUD's conciliation agreement, Norristown agreed to repeal the ordinance, conduct fair housing training for city officials, distribute a fair housing rights brochure that specifically encourages tenants to call the police when they need help, and collaborate with a local domestic violence advocacy group.

ENFORCEMENT

FHEO enforces the Fair Housing Act by investigating complaints of housing discrimination. HUD is assisted in these efforts by the state and local agencies in the Fair Housing Assistance Program. In FY 2014 and 2015, HUD and FHAP agencies achieved large-scale settlements. HUD investigated, conciliated or charged cases of housing discrimination arising from individual as well as Secretary-initiated complaints. HUD also investigated systemic patterns of discrimination by a particular housing provider or a group of providers in an industry.



BASES OF COMPLAINTS

The Fair Housing Act prohibits discrimination on the basis of race, color, national origin, religion, sex, disability and familial status. The majority of complaints filed under the Fair Housing Act in both FY 2014 and FY 2015 were on the basis of disability. Race was the next most common basis, making up 2,383 complaints in FY 2014 and 2,291 complaints in FY 2015. Familial status, sex, national origin, and retaliation each made up between 800 and 1100 complaints each year, while religion and color were the least reported bases. Overall, the number of complaints from each basis in FY 2014 and FY 2015 were very similar. Complaints are often filed under more than one basis.

Basis of Complaint	FY 2014	FY 2015
Disability	4,621	4,605
Race	2,383	2,291
Familial Status	1,051	1,031
Sex	879	915
National Origin	1,067	898
Retaliation	867	832
Religion	223	225
Color	146	151

HUD & FHAP Complaints by Basis for FY 2014 and FY 2015, in order from most to fewest number of complaints in FY 2015.

COMPLIANCE

FHEO regularly reviews recipients of HUD funding for their compliance with civil rights laws. Violations are often resolved through Voluntary Compliance Agreements (VCA). Below are examples of VCAs from FY 2014-2015

VOLUNTARY COMPLIANCE AGREEMENTS

Housing Authority of the City of Hazleton (PA), May 2015

- Protected class: National origin
- Issue: Housing Authority allegedly did not provide all required translation services to clients with limited English proficiency, requiring Spanish-speaking individuals to provide their own translator.
- Highlights of the Voluntary Compliance Agreement: Payment of \$14,000 to complainants, interpretation and translation services for clients, hiring bilingual staff, and promotion of available language assistance services in the community.



University Village, DeKalb, Illinois, November 2014

- Protected class: Persons with disabilities
- Issue: Owner and operator of apartment complex allegedly retaliated against residents who requested reasonable accommodations.
- Highlights of the Voluntary Compliance Agreement: Payment of \$255,000 to two complainants, development of reasonable accommodation policy and assessment of tenants' needs, and commitment to maintain 5% of units as fully accessible.

Aurora (IL) Housing Authority, April 2014

- Protected classes: Persons with disabilities, families with children, and race
- Issue: Housing authority's plan to rebuild a demolished public housing complex allegedly would have denied housing to persons with disabilities and displaced families with children and those on the waiting list, most of whom were African American.
- Highlights of the Voluntary Compliance Agreement: Development of 100 units of affordable family housing.

City of Dubuque, Iowa, March 2014

- Protected class: Race
- Issue: Dubuque's Housing Choice Voucher program residency preference system allegedly disadvantaged African Americans. Purge of waiting list removed 90% of African American applicants.
- Highlights of the Voluntary Compliance Agreement: Elimination of residency preference system and outreach to underserved communities.

Nebraska Department of Economic Development (NDED), March 2014

- Protected class: National origin
- Issue: NDED allegedly did not take reasonable steps to make its Community Development Block Grant and HOME Investment Partnerships Program language accessible.
- Highlights of the Voluntary Compliance Agreement: NDED will analyze language assistance needs and develop a language assistance plan, and provide training and monitoring for sub-recipients in CDBG and HOME programs.

FAIR LENDING ACCOMPLISHMENTS

Access to credit affects a family's ability to purchase or refinance a home, and in turn their ability to accumulate wealth to pass on to future generations. In an effort to ensure that access to credit is made available to all Americans equally, HUD and FHAP partners completed 618 cases of lending discrimination in FY 2014 and FY 2015, including cases related to maternity leave, "redlining," and disability income.

Overall, lending discrimination complaints trended down over the past five fiscal years, with 393 lending discrimination complaints filed in FY 2011 and 302 filed in FY 2015.



WHAT'S PREVENTING YOU FROM GETTING A HOME LOAN?

TAKE ACTION AGAINST LENDING DISCRIMINATION.
Some hurdles are expected in the race to purchase a home. But if you feel that you've been denied financing of a home because of race, color, national origin, religion, sex, familial status or disability, or because of the racial or ethnic composition of your neighborhood, that's against the law. Report it to HUD or your local fair housing center.

Visit hud.gov/fairhousing or call the HUD Hotline **1-800-669-9777** (English/Español)

FAIR HOUSING IS YOUR RIGHT. USE IT!

A public service message from the U.S. Department of Housing and Urban Development in partnership with the National Fair Housing Alliance. The federal Fair Housing Act prohibits discrimination because of race, color, religion, national origin, sex, familial status or disability. For more information, visit www.hud.gov/fairhousing.

Case Spotlight #4: Maternity Leave Case Settled with Wells Fargo

In October 2014, HUD reached a \$5 million settlement with Wells Fargo Home Mortgage, the nation's largest provider of home mortgage loans, resolving allegations that the lender discriminated against women who were pregnant, or had recently given birth and were on maternity leave.

Under its authority to enforce the Fair Housing Act, HUD has conducted an intensive campaign to end maternity leave-related lending discrimination. Since 2010, about 190 maternity leave discrimination complaints have been filed with HUD, resulting in more than 40 settlements for a total of almost \$7 million.

FY 2015 National Media Campaign print advertisement focused on lending discrimination.

TRENDING TOPICS IN LENDING DISCRIMINATION

Maternity Leave

In FY 2014-2015, HUD conducted an intensive campaign to address lending discrimination related to maternity leave. In FY 2014 alone, HUD investigated nine lending discrimination cases on the basis of maternity leave, obtaining \$194,000 for complainants.

FY 2015 brought HUD's largest ever maternity leave case against Wells Fargo Home Mortgage. In addition to the monetary relief, Wells Fargo modified its underwriting guidelines for evaluating loan applications from those on maternity leave. For more on the Wells Fargo case, see the Case Spotlight on page 11.

Redlining

Even as our nation is more multicultural than ever before, redlining, the discriminatory practice of denying mortgage financing to people in certain areas based on race or national origin, persists.

In FY 2015, Midland States Bancorp agreed to originate \$8 million in mortgages and open full-service branches in minority communities in response to an allegation that it excluded African Americans and Hispanics from its service area. Facing similar allegations, Associated Bank, N.A., agreed to a \$200 million settlement – the highest settlement ever for a “redlining case” that included lower interest rate mortgages and down payment and closing cost assistance to qualified borrowers in certain majority minority census tracts.

Disability Income

HUD has investigated a number of complaints in recent years alleging discrimination against mortgage applicants who rely on disability income. In some of the cases, lenders allegedly applied more intrusive and burdensome income-documentation standards, including requiring medical documentation.

In FY 2014, the Department of Justice issued a \$1.5 million Consent Order against Fifth Third Bank. HUD charged the bank with discrimination in August 2013. The \$1.5 million settlement fund compensated eligible mortgage loan applicants who were asked to provide a letter from their doctor documenting their disability. Fifth Third Bank also agreed to ensure that future applicants with disabilities are not required to provide such documentation.

FAIR HOUSING & EQUAL OPPORTUNITY PROGRAMS

SECTION 3: CREATING OPPORTUNITIES FOR LOW-INCOME RESIDENTS

Breaking Records in Pittsburgh

Section 3 changes people's lives by connecting them to opportunity in their communities. The Housing Authority of the City of Pittsburgh (PA) partnered with Allies & Ross Management and Development Corporation to develop Skyline Terrace in a historic, predominantly African-American neighborhood. At \$160 million, Skyline Terrace was the largest contract ever awarded to a minority-owned business in the city.

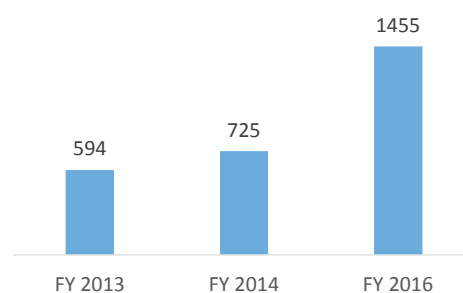


To ensure the project brought opportunities to Section 3 residents, local stakeholders formed the Minority Women-Owned Business Enterprises/Section 3 Committee, which included the Housing Authority of the City of Pittsburgh (HACP), the city government, local business organizations, and entrepreneurs. The committee held a series of community meetings and open house events to inform residents about Section 3 and its goals, and to create a resident inclusion model for future projects. One Section 3 contractor hired 54 new employees within the first year – tying HACP's record.

Section 3 Business Registry Expanded

In March 2015, HUD expanded the Section 3 Business Registry from a 5-city pilot to a nationwide resource database. The registry allows Section 3-eligible businesses to enter their information into a public database. The expanded registry also allows public housing authorities and other government agencies to identify Section 3 businesses for HUD-funded contracts and connects job seekers with potential employers.

Total Businesses in Section 3 Registry
Fiscal Year End, 2013-2015



THE FAIR HOUSING INITIATIVES PROGRAM (FHIP)

FHIP provides funds to eligible organizations through competitive grants under three initiatives that are designed to prevent or eliminate discriminatory housing practices and inform individuals of their rights and responsibilities under the Fair Housing Act. The Initiatives are: Fair Housing Organization Initiative (FHOI), Private Enforcement Initiative (PEI), and the Education and Outreach Initiative (EOI).

Major Initiatives

FHOI	PEI	EOI
<ul style="list-style-type: none"> Supports activities to combat lending discrimination 	<ul style="list-style-type: none"> Supports enforcement activities in over 30 states 	<ul style="list-style-type: none"> Supports National Media Campaign

National Media Campaign

In FY 2014 and FY 2015, HUD awarded the National Fair Housing Alliance (NFHA) approximately \$2.4 million in competitive FHIP funds to carry out a multi-faceted national media and web-based education and outreach campaign which included a “How to File a Complaint” video. The campaigns, which consisted of Public Service Announcements (PSAs) served as HUD’s leading fair housing outreach effort. The theme for both campaigns “Fair Housing Is Your Right. Use It,” included the creation, distribution, and placement of print ads that were translated into seven languages. Specific PSAs focused on racial steering, disability discrimination, sexual harassment, and discrimination based on religion.

Is discrimination keeping you out of the home of your dreams?

“You might be more comfortable living elsewhere.”

“I’ll show you neighborhoods with mosques.”

“We only take people who speak English clearly.”

If you feel that you’ve been denied the sale, rental or financing of a home because of race, color, religion, national origin, sex, familial status or disability, report it to HUD or your local fair housing center.

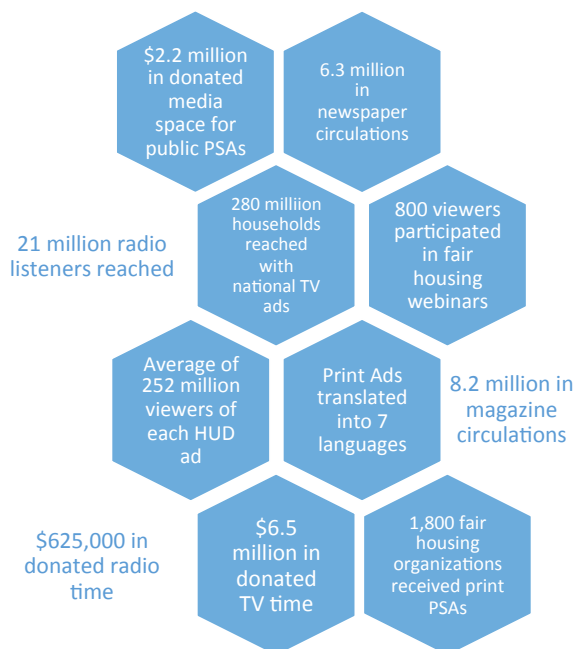
Fair Housing Is Your Right. Use It!

Visit www.hud.gov/fairhousing or call the HUD Hotline **1-800-669-9777** (English/Español)

NFHA National Fair Housing Alliance

A public service message from the U.S. Department of Housing and Urban Development in partnership with the National Fair Housing Alliance. The Federal Fair Housing Act prohibits discrimination because of race, color, religion, national origin, sex, familial status or disability. For more information, visit www.hud.gov/fairhousing.

Snapshot of FY 2014 Campaign



THE FAIR HOUSING ASSISTANCE PROGRAM (FHAP)

HUD provides FHAP funding annually on a noncompetitive basis to state and local agencies that enforce fair housing laws that are substantially equivalent to the Fair Housing Act. FHAP agencies support a variety of fair housing administrative and enforcement activities, including complaint processing, training, implementation of data and information systems, and other special projects.

At the close of FY 15, there were **88 FHAP agencies**.

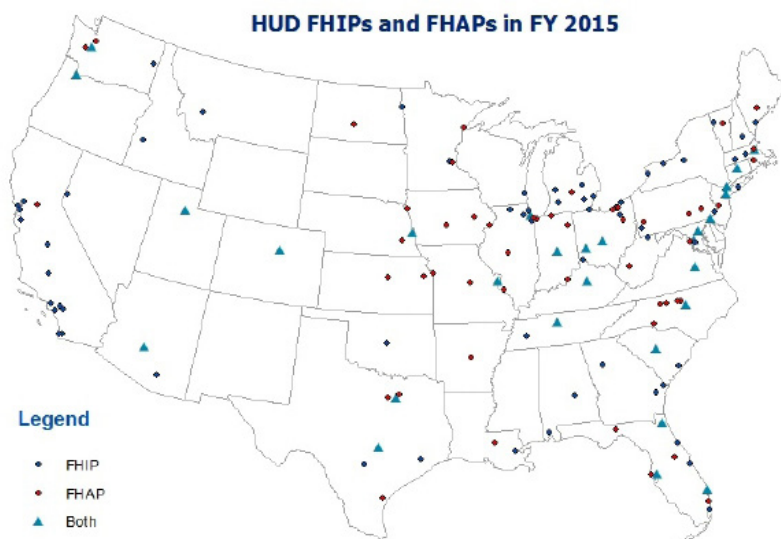
FHAP agencies operate in **53 localities** and in **35 states** and the District of Columbia.

FHAP agencies filed **4,499 complaints** in FY15; and **4,357 complaints** in FY14.

FHAP agencies closed **6,536 complaints** in FY15; and **6,832 complaints** in FY14.

Case Spotlight #5: Massachusetts FHAP Agency Cracked Down on Predatory Mortgage Services

In May 2015, the Massachusetts Commission Against Discrimination (MCAD) ordered an attorney to pay \$233,600 to 17 Latino homeowners who were targeted with predatory and deceptive mortgage modification advertising. The FHAP asserted that the attorney targeted Latino communities by exploiting their limited English proficiency, offering services that could be obtained for free elsewhere, making false promises, and encouraging clients to fall behind on their mortgage payments.



There is one FHIP in Alaska and one FHIP and one FHAP in Hawaii that are not pictured.

FHIPs and FHAPs across the country

PEOPLE WE'VE HELPED



Jannette Cruz

Language Access Barriers Removed for Jannette Cruz of Hazleton, Pennsylvania

In September 2015, HUD filed a Title VI complaint against the Hazleton Housing Authority (Pennsylvania) alleging that it had subjected Latino applicants and residents to different terms and conditions, while denying translation services to Spanish-speaking individuals with limited English proficiency.

Months after moving into a Section 8 apartment in Hazleton, Pennsylvania, Jannette Cruz, a Spanish-speaking resident, and her family were allegedly forced to move out due to a bed bug infestation. The housing authority and landlord allegedly notified Ms. Cruz that she would lose her subsidized apartment because she moved out of her unit without alerting both the housing authority and her landlord in violation of the “Obligations of the Family” agreement, which was written only in English. “All the documents I received were in English, so because I don’t know how to read or understand English, I didn’t understand the responsibilities of the family,” Ms. Cruz recalled through an interpreter. “At the meeting, the language barrier became an even bigger problem because I couldn’t defend myself; I couldn’t explain myself to them or communicate with them clearly. The Community Justice Project, a local nonprofit public interest law firm, also filed a housing discrimination complaint on behalf of Ms. Cruz, and five other families with similar circumstances.

Eviction Averted for the Martinez Family of West Palm Beach, Florida

For 10 years, Roman Flores Martinez, Sr. and his wife and children lived in Meadowbrook Mobile Home Park, in West Palm Beach, Florida. Then in 2013, the on-site manager at the time allegedly imposed a set of rigorously enforced rules (never put into writing) that dramatically limited the ability of children living there to freely play and required families to pay a fine when



The Martinez family

the rules were broken. In one instance, in October 2014, Mr. Martinez, his children and a few relatives were having a weekend barbeque when the on-site manager allegedly walked into Mr. Martinez's yard, turned down the radio the family was listening to and issued Mr. Martinez a citation that, if left unpaid, would lead to Mr. Martinez and his family's eviction. Mr. Martinez knew he needed to get help so he contacted Talat Kayar, a West Palm Beach attorney, who informed him of his fair housing rights and helped him, along with seven other families, file a complaint with HUD against the owners of Meadowbrook. As a result, the owners and families reached a Conciliation Agreement that required the owners to establish a \$99,000 victim's compensation fund, pay \$7,000 to each family that was a party to the complaint, fire the on-site manager and agree to develop written, non-discriminatory policies and procedures, and to provide fair housing training for its agents and employees.



LOOKING AHEAD

While HUD proudly acknowledges significant success during fiscal years 2014 and 2015, HUD is committed to the following mission essential undertakings:

**Continued development
of AFFH Data and
Mapping Tools**

**Assessment of Fair
Housing Tools**

**National Media Campaign
focused on Affirmatively
Furthering Fair Housing and
Inclusive Communities**

**The President's Fair
Housing Council**

“HUD IS AGGRESSIVELY ADDRESSING THE VARIOUS FORMS OF DISCRIMINATION THAT PERSIST TODAY AND IS COMMITTED TO WORKING TO GIVE EVERY RESIDENT OF THIS COUNTRY THE CHANCE TO OBTAIN THE HOUSING OF HIS OR HER CHOICE AND TO LIVE IN THRIVING COMMUNITIES OF EQUAL OPPORTUNITY.”

– ASSISTANT SECRETARY GUSTAVO VELASQUEZ

Please refer to the Appendix for more detailed complaint data and the protected characteristics of those served by HUD programs.